



The federal government traded \$27 million worth of Air Force property for this building, which is one-fourth the size of the Pentagon and 10 miles from San Clemente.

By Charles O'Neal for The Washington Post

# U.S. Comes Up Short in Trade for Building to House Nixon Records

1/15/74

By Ronald Kessler  
Washington Post Staff Writer

Under pressure from the Nixon White House, the federal government this year traded \$27 million in productive property for a massive, unused building 10 miles north of San Clemente so that the former President's records could be stored near his home. The Washington Post has found.

The federal General Services Administration, which acquired the recently built, squat pyramid-shaped building in the small coastal town of Laguna Niguel, Calif., has insisted it was needed to house federal offices in Southern California. But three years after GSA began seeking tenants for it, the building still is vacant.

GSA acknowledges its only definite plans call for filling only a quarter of the one-million-square-foot building—more than one-fourth the size of the Pentagon—almost exclusively with its own records.

Because the government still had a need for the property it gave in exchange for the building in Laguna Niguel, the trade will cost taxpayers an additional sum that could run as high as \$18 million, government records show.

Although GSA has denied there is any connection between the acquisition of the Laguna Niguel building and Mr. Nixon's records, documents in GSA's San Francisco regional office show that the agency wanted the seven-story building for storage of Mr. Nixon's records and for projected offices for the former Western White House and the 1972 Republican National Convention, then planned for San Diego.

The files also show that the exchange initially was opposed by the Office of Management and Budget, which had to approve it, on the grounds that GSA did not need such a large building in Southern California and that the Laguna Niguel building was a "white elephant" no one wanted because of its size and distance from major population centers.

The huge building, located an hour and a half to two hours from Los Angeles and more than an hour from San Diego by car, was built for Rockwell International Corp., formerly North American Rockwell Corp., a contractor for defense and aerospace.

Before it was completed, Rockwell decided it could not use the building at all because its business was declining, and the firm put it up for sale. After Rockwell declined, it was bought by International Rockwell. See BUILDING, A14, Col 1.



## BUILDING, From A1

well found no takers on the private market, the firm succeeded in convincing GSA in 1971 to acquire the building, which has never been occupied.

GSA files in San Francisco show that when OMB later expressed opposition to the trade, then White House counselor Robert H. Finch intervened with OMB and secured final approval of the transaction.

Rayburn D. Hanzlik, a former White House aide who acknowledges making calls to win approval of the transaction while he was executive assistant to Finch, said the purpose of the acquisition was to help Mr. Nixon.

"They (GSA) wanted a building near San Clemente," he said. "The memos didn't say it would be for the Western White House, but they would say it orally." These references by GSA officials, he said, were made in almost "hushed tones."

Hanzlik added that pressure also came from Rockwell, which wanted the properties it eventually acquired in the exchange for business activities it already carried out in them under federal contractors. Rockwell employees contributed \$98,000 to Mr. Nixon's 1972 re-election campaign, although a Rockwell official said the money came from individual employees and was not connected with the exchange.

Finch acknowledged in an interview that he pushed the idea of acquiring a building near San Clemente to help "support" the Western White House. "In whole or in part," he said, "it (the building) would shelter some of the papers of the President the way the Austin facility was in support of the Johnson facilities."

Finch was referring to a federal office building built by GSA in Austin, Tex., while Mr. Johnson was vice president. Besides housing other government offices, the building contained a suite of offices for Mr. Johnson and sheltered his papers until his library was built in the same city.

Finch said GSA had an obligation to store Mr. Nixon's records near potential

sites for his future personal library near his home California. The closest suitable facility for this purpose—a GSA archives center in Bell, just east of Los Angeles and some 60 miles north of San Clemente, was going to be replaced because of its poor condition, Finch said.

If a new archives center were built in Bell, Finch said, Mr. Nixon would have to travel nearly to Los Angeles to see his records. The Rockwell building, he said, "would be beneficial because it was closer to San Clemente than to Bell."

Finch, who is a trustee of the Richard Nixon Foundation—established to build a library for the former President—said no consideration was given to using the Rockwell building as a permanent library. But Finch noted that GSA would have to store Mr. Nixon's records in the building until a library is built, and he said there are no present plans for financing and building a permanent facility.

Casper W. Weinberger who approved the acquisition of the Rockwell building when he was head of OMB, said he could not recall having been called by Finch and would not have been influenced by White House pressures.

But Weinberger added that when he gave his approval, he had not been informed by GSA of the trade's additional costs to the government. These costs stemmed from the fact that the property acquired by Rockwell—primarily buildings in El Segundo and Canoga Park, Calif.—had already been occupied by

Rockwell for performance of a defense contract at no cost to the government. After the government traded away the buildings, Rockwell was allowed under its contracts to begin charging the government for its continued use of the buildings.

Weinberger, now secretary of Health, Education, and Welfare, blamed GSA for giving him "substantively incorrect and misleading" information by not informing him of these costs. He said in an interview that this "failing" could mean the government did not receive a "fair deal"

in the trade.

Weinberger also said he had no knowledge that the Laguna Niguel building was to be used for Mr. Nixon's records.

Arthur F. Sampson, administrator of GSA, also denied any connection between the acquisition and Mr. Nixon's interests.

Sampson, who has defended GSA improvements to Mr. Nixon's San Clemente and Key Biscayne homes, said GSA realized after it decided to acquire the Rockwell building that it could be used to store Mr. Nixon's papers.

After President Ford's recent pardon of Mr. Nixon, the White House revealed that Sampson had agreed to construct a vault for storage of the Nixon papers in the Rockwell building. However, an appropriation for the vault was not approved by Congress, and movement of the papers from Washington has been halted pending the outcome of Watergate and civil suits filed to block the move.

Sampson said the idea for acquiring the Rockwell building had come from the agency's San Francisco regional office. Thomas E. Hannon, regional administrator, said he proposed the acquisition after he was approached by a Rockwell official in 1971.

Asked if the White House had expressed any interest in the acquisition, Hannon said, "None whatsoever, to my knowledge." Asked if Finch had expressed an interest, he said, "I have no idea."

But a memo by Hannon to the GSA file recounts a call Hannon received from White House aide Hanzlik to inform him that Finch had called Weinberger. Finch had been assured by Weinberger, Hannon wrote, that "OMB is about ready to sign off favorably . . ." on the building acquisition.

Informed of the contents of the file, Hannon said, "if Mr. Finch had any interest,





By Charles O'Rear for The Washington Post

The California building acquired for storage of Mr. Nixon's records now is occupied only by office furniture.

it was for the government to get a good deal."

Sampson called the acquisition of the Rockwell building "the best bargain the government ever got for a building. It would cost twice the money to build it today." He said the building was required for "federal needs," and he said the acquisition would not have been approved by OMB if it were not needed.

But three years after GSA decided to acquire the building and more than half a year after it took title to it, the sandstone-colored structure remains empty. Its cafeteria, built to feed more than 7,000 persons a day, has never been used, and its parking lot, which can accommodate 6,000 cars, stands vacant.

The building is a source of puzzlement to local residents and merchants, who have heard conflicting stories about why it was built and who owns it.

"It's all a mystery. Everyone has a different version," said Marie C. Constantino as

she served an order at a local pizza parlor.

"It's kind of a white elephant," said Mrs. Gregory Marks as she picked up her children at the local elementary school.

"It was supposed to give 7,000 jobs. Then they didn't even open it up. They probably forgot what it was about," said John M. Blum, a Texaco filling station attendant.

GSA acknowledges its only definite plans call for filling a quarter of the building by January with its records from the Bell archives center and two small Orange County offices of the Internal Revenue Service and Geological Survey. GSA has calculated that the building must be at least 83 per cent full to justify its cost.

At least 33 agencies have been asked since 1971 to move into the building, GSA records show. But, with the exception of the IRS and Geological Survey offices, which will occupy 2 per cent of the structure, they have declined, generally on the

grounds the building is remote and lacks public transportation and nearby housing for government employees.

When asked by congressmen or OMB officials during the past three years about its plans for the building, GSA has cited a number of potential tenants, ranging from the Food and Drug Administration and Defense Department to the Bureau of Prisons and Coast Guard. But each time the

plans have fallen through, and other agencies were then cited in response to new inquiries.

Under normal government and commercial procedures, a large office building, particularly in a remote area, is not constructed or purchased unless it is known to a large extent who will occupy it. But in this case, according to GSA records for it (which would stand 10 feet high if stacked on top of each other) show that GSA first decided to acquire the building and then looked for



tenants.

High on the list of possible uses enumerated in the first document in the file is storage of Mr. Nixon's papers and projected office space for the Western White House and the San Diego Republican Convention.

Sampson, in an interview, said the mention of the convention referred to "speculation" that Cabinet members attending the convention might need offices nearby. Gerald D. Meckler, a GSA San Francisco regional spokesman, said the reference was to possible use of the Rockwell building for convention "security," even though it is more than an hour's drive from San Diego.

The same document—an Aug. 14, 1971, memo recounting a meeting with GSA San Francisco regional administrator Hannon—says staff members were assigned to look for occupants for the building.

But the first formal recommendation to acquire the building was made three months later without any indication that such tenants had been found. Indeed, just before the recommendation was approved in November by then GSA Administrator Robert L. Kunzig, Hannon wrote to Kunzig:

"We have explored many possibilities (for occupancy) and are continuing to do so, and feel optimistic that, given time, we can arrange occupancy to the extent that we can justify acquisition of the building by exchange."

Hannon listed only two definite uses for the building: allocation of 150,000 square feet of the 823,000 useable square feet of space for storage of GSA records from the Bell archives center, and 25,000 to 50,000 square feet for an "interim presidential library."

During the course of the negotiations to acquire the building, several GSA officials took note of the agency's apparent lack of a plan for its use, according to GSA documents.

One of them, Norman C.

Miller, said the agency had "few firm requirements" for the building. And as recently as last January, Stanley M. Mix, another GSA aide, expressed concern that the acquisition might be approved by congressional committees. "One of the key problems to be resolved as quickly as possible is soliciting enough tenants . . ." he said.

GSA refused to allow this reporter to interview a number of other GSA officials with first-hand knowledge of various aspects of the transaction. Asked why, Sampson said, "We want to be sure a consistent story is being told."

The most serious objection to the acquisition came from OMB, which had statutory authority for approving the transaction. OMB officials told GSA that even if the building were obtained at a bargain price, it did not appear that GSA had "sufficient requirements for the space to justify its acquisition."

The building, OMB said, "appears to be a white elephant since North American was not able to sell it on the private market before approaching GSA." In his appraisal of the building for GSA, William W. Abelmann said only about 25 of the largest companies in the country could use such a large facility.

Before GSA became interested in the building, Rockwell had received one serious inquiry about purchase of the facility, according to Rockwell's broker, Robert

W. Draine, senior vice president of Coldwell-Banker Inc. in Los Angeles.

The interest came from Fluor Corp., a construction firm. Melvin A. Ellsworth, president of Fluor, told The Washington Post he decided against buying the building because it was "too far from where people live."

Rockwell had planned to build housing for employees near the site, but the plans were dropped when the company put the building up for sale.

Interviews with local assessors, appraisers, and construction and real estate experts indicate GSA paid a fair price for the building.

Built for \$27 million, it was appraised in 1972 at \$20 million, and this price was paid by GSA by giving Rockwell about \$20 million worth of property owned by the Air Force.

But although GSA has claimed this property was "no longer of need to the government," GSA files show the Air Force declared it surplus only after Rockwell had identified the property it wanted and GSA had asked the Air Force to call it surplus.

The property had been used by Rockwell under a contract arrangement it had with the Air Force.

What GSA acknowledges it did not consider was that after the government traded the Air Force property to Rockwell, the firm could charge the government over the next 20 to 30 years for the cost (the value of the Lagunn Niguel building it traded) of acquiring it.

This charge, in the form of depreciation, could be made because Rockwell's government contracts—which had been renewed every five years for a number of years—require the government to reimburse the firm for costs it incurs in carrying out its work. These costs including the expense of acquiring buildings. When the buildings were owned by the government, Rockwell could not make these charges.

Several months after the exchange of property became final last March, the Air Force informed GSA that Rockwell had begun charging for the buildings. Instead of basing these charges on the 1972 appraisal value of \$20 million used by GSA to value the exchange, Rockwell used a figure from a 1974 appraisal that was \$7 million higher, the Air Force said.

In response to a query, the Air Force said Rockwell could collect as much as \$18 million from the Air Force over a period of years for the use of the buildings. It also said Rockwell could be entitled to a higher profit margin on its contracts because it was supplying its own buildings.

Walter C. Moreland, GSA assistant commissioner for real property, said he knew there would be an additional cost, but because the exact amount was not clear, there was no need to take it into account. He said OMB should have known there would be such a cost, although Weinberger said he was told just the opposite by GSA.

A Rockwell official, Dr. Richard K. Wilson, staff vice president, said the government got a "good deal" in the trade.

Asked why it gave away properties for which it still apparently had a need, the Air Force said it did not

need to own the buildings so long as they were used for government work.

Rep. Jack Brooks (D-Tex.), chairman of the House Government Activities Subcommittee, called the Rockwell acquisition "part of the Nixon-San Clemente development at public expense for his (Mr. Nixon's) personal benefit."

Brooks, who said GSA avoided obtaining congressional approval by exchanging property rather than buying it, added: "They gave away productive facilities that they still needed for a building they really didn't need. It looks like they wasted \$20 million."